**Ethical Letter**

Ethical letters have long been used in the accounting industry. In recent years with the increased awareness of the role of BAS agents as accounting professionals, it is becoming increasingly common for BAS agents to send an ethical letter upon engagement by a new client.

The ethical letter lets the outgoing BAS agent know that the client has decided to move to a new provider and to request information to assist with the transition. It is also an opportunity to ask the previous BAS agent if any ethical reasons could impact your decision to accept the appointment.

Sending an ethical letter is not mandatory but is good practice and lets all parties know that you are operating as an accounting professional.

If you receive an ethical letter requesting information, consider responding quickly and thoroughly with the information requested to assist your colleague. For example, if they ask for copies of the last financial year's BASs lodged, it is a quick process to download them from the ATO online services, and there is no reason not to provide the forms.

In the vast majority of instances, there will be no ethical reason that prevents the incoming bookkeeper from accepting the engagement and providing your professional services.

If it has been a problematic relationship or termination of services, don't allow your emotions to affect your communications with the new provider. Instead, simply provide the information and remain objective. Being a difficult client is not grounds for an ethical issue!

**Examples of Ethical Issues**

What kinds of issues should you disclose to a colleague requesting ethical clearance?

If you have questions or concerns about the conduct of your ex-client, then you may well need advice from a colleague before responding to the ethical letter.

Remember, you also have a duty to abide by the AAT and TPB codes of professional conduct, even if the client no longer engages you. Therefore, you must not disclose any information relating to a client's affairs without specific permission.

However, there are times you might discuss ethical considerations without disclosing specific information about the client’s affairs.

Examples could include:

* Being pressured to manipulate or omit information, (without being specific about what information you are referring to).
* Not getting direct answers to questions relating to lodgements, (without disclosing what your questions were).
* Suspicions about shadow economy activity.
* Illegal activity that should be disclosed to the ATO, such as sham contracting, tax avoidance, or underpayment of wages.

If you have serious concerns but are constrained by confidentiality requirements, let the requesting party know that you can’t discuss specifics due to code of conduct confidentiality provisions. This lets them know you have concerns without breaching your code, and they can use their judgement about accepting an engagement.

If you are owed money for professional fees, you may inform the requesting party that you will respond fully to the request once outstanding fees have been paid.

**Professional Communications**

When used together, the ethical letter and handover checklist is a professional communication package that lets the client and other professionals know that you are acting in the client's best interests and wish to assist the transition and to prepare for the engagement skilfully.

[AAT – Ethical Letter Template](https://www.aat.org.au/AAT/AAT/Member_Resources/Templates.aspx)

[AAT – Handover Checklist](https://www.aat.org.au/AAT/AAT/Member_Resources/Checklists.aspx)